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Report Highlights:

Post currently estimates rice production for MY 2009/10 at 83 million tons, or 16.2 million tons below the record production in MY 2008/09. On October 14, 2009, the GOI abolished the import duty on rice until September 30, 2010. Three public sector trading companies have issued rice import tenders for 10,000 tons each. Post currently forecasts Indian rice imports at 200,000 tons for MY 2009/10.

General Information:

Table 1: Commodity, Rice, Milled, PSD

Rice, Milled India	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Oct 2007		Market Year Begin: Oct 2008		Market Year Begin: Oct 2009	
	USDA Official	Old	USDA Official	Old	USDA Official	Jan

	Data		Post	Data		Post	Data		
			Data			Data			Data
Area Harvested	43,770	43,770	43,770	44,000	44,000	44,000	40,000	40,000	38,500
Beginning Stocks	11,430	11,430	11,430	13,000	13,000	13,000	17,000	17,000	17,000
Milled Production	96,690	96,690	96,690	99,150	99,150	99,150	84,000	88,000	83,000
Rough Production	145,050	145,050	145,050	148,740	148,740	148,740	126,013	132,013	124,512
Milling Rate (.9999)	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666
MY Imports	0	0	0	0	0	0	0	0	200
TY Imports	0	0	0	0	0	200	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	108,120	108,120	108,120	112,150	112,150	112,150	101,000	105,000	100,200
MY Exports	4,654	4,654	4,654	2,000	1,500	2,000	1,500	1,500	1,500
TY Exports	3,383	3,383	3,383	2,000	1,500	2,000	1,500	1,500	1,500
Total Consumption	90,466	90,466	90,466	93,150	93,650	93,150	89,500	92,500	89,000
Ending Stocks	13,000	13,000	13,000	17,000	17,000	17,000	10,000	11,000	9,700
Total Distribution	108,120	108,120	108,120	112,150	112,150	112,150	101,000	105,000	100,200

Production outlook unchanged

Post estimates MY 2009/10 rice production at 83 million tons against the official MY 2008/09 production estimate of 99.2 million tons. Most of the decline in production in the kharif (fall and early winter harvested) season will be in Uttar Pradesh (6 mmt), Bihar (2.8 mmt), Andhra Pradesh (2.8 mmt), Jharkhand (1 mmt), Orissa (0.6 mmt), West Bengal (0.6 mmt), and Chhattisgarh (0.5 mmt). There is likely to be a modest increase in rabi (winter season) rice production (confined mostly to southern and eastern India) in response to the GOI's concerted efforts to increase production through various programs and policies designed to partly offset the decline in kharif rice production.

The GOI's recently released preliminary estimate for various 2009 kharif (fall and early winter harvested) crops pegs kharif rice production at 69.5 million tons, 15.1 million tons below the official 2008 kharif rice production of 84.6 million tons (See: http://dacnet.nic.in/eands/Advance_Estimate/FAEP_4nov2009.pdf).

Rice Import duty abolished

Through an official notification issued on October 14, 2009, the GOI abolished the 70 percent import duty on rice up to September 30, 2010, with a view to encourage private trade to import rice if domestic rice prices flare up in coming months. The official notification can be accessed from: www.cbec.gov.in/customs/cs-act/notifications/notfns-2k9/cs118-2k9.htm.

Public Sector Companies Issue Rice Import Tenders ...

Three public sector trading companies, namely the STC, MMTC, and PEC have floated identical tenders for imports of 10,000 tons of 25% broken white rice each for delivery in December at south Indian ports (See: www.peclimited.com/TENDER_FOR_IMPORT_OF_RICE.doc; <http://tenders.gov.in/viewtenddoc.asp?tid=del253360&wno=1&td=TD>; <http://tenders.gov.in/viewtenddoc.asp?tid=del253267&wno=1&td=TD>)

...Large imports unlikely

Although there were rumors of large scale rice import contracts entered by private trade following the duty waiver, the import price of low quality 25% broken rice delivered at Indian ports is reportedly around \$400 (Rs. 19,000) per ton, which is higher than the prevailing domestic prices for such varieties (Rs. 14,000 – 18,000 per ton). As far as medium and high quality rice (5% or less broken) is concerned, the domestic prices now range from Rs. 24,000 (\$510) to Rs. 36,000 (\$765) per ton, which are also lower than international prices for similar quality rice. There is also some uncertainty on whether Indian consumers would accept imported rice, as there are distinct regional preferences for rice in India.

Another factor that could dissuade large scale imports is the larger than normal government rice stocks, which were estimated to be around 15 million tons on October 1, 2009, or twice the stock level of the previous year and nearly three times greater than the government's usual desired minimum buffer stock level. Despite overall lower production this year, rice procurement by the central government is unlikely to fall as major rice surplus states such as Punjab, Andhra Pradesh, Chhattisgarh, and Haryana will continue to contribute significant, albeit lesser, quantities of rice to the central pool. Against the record procurement of 33.2 million tons in MY 2008/09, the government procurement in MY 2009/10 is likely to be in the range of 25 to 27 million tons, which combined with larger carry overstocks should be adequate to meet the likely requirements of the public distribution system (PDS), a practice likely to continue or even increase under current circumstances.

Furthermore, to supplement domestic rice availability, the government carries large stocks of wheat, which on October 1, 2009, were around 28 million tons. In the past, when government has faced shortages of rice to meet its PDS requirement, it has supplied more wheat through the PDS.

Considering the above factors, Post rules out large scale Indian imports of rice in MY 2009/10 but forecasts some imports (200,000 tons) provided there is greater parity between domestic and global prices.

Minimum Support Price Hiked

The government recently announced a one time bonus of Rs. 500 per ton over and above the enhanced support price for paddy (un-milled rice) for MY 2009/10 to maximize government rice procurement. The new support prices are Rs. 10,000 (\$213) per ton for common varieties and Rs. 10,300 (\$219) per ton for Grade A varieties. The increase in the support price, while facilitating higher government rice procurement, will likely translate into higher open market prices for rice.